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TAGS: [ECON](#) [ETRD](#) [PGOV](#) [PINR](#) [PREL](#) [RS](#) [EINV](#)
SUBJECT: RUSSIAN OLIGARCH ON U.S.-RUSSIA RELATIONS, PUTIN'S
PREEMINENCE, AND RUSSIA'S FINANCIAL CRISIS

Classified By: Ambassador John R. Beyrle for Reasons 1.4 (b) and (d).

Summary

¶1. (C) In an October 1 meeting, Russian oligarch Vladimir Potanin, whose Interros-holding company controls much of Norilsk Nickel, told the Ambassador that the existence of shared strategic interests was not enough to help U.S.-Russian relations recover. What was needed was a constructive change in how we thought about one another, and how we resolved our disagreements. To accomplish this, he advised that the new U.S. President engage directly with Prime Minister Putin, who remained the real power in the country. Potanin predicted that the financial crisis in Russia could rearrange the ranks of the oligarchs, while strengthening the hand of those opposed to market economics. End Summary.

U.S.-Russia Relations

¶2. (C) The Ambassador began the meeting by stressing that the U.S. and Russia shared strategic interests and that we continued to desire a partnership with Russia. There had been disagreements in the relationship even before the Georgia conflict but they had been manageable and economic ties, for instance, had been growing rapidly. Now, he said, recent events had made a partnership more difficult to develop. Both countries needed to resist the temptation to fall back into Cold War rhetoric and tit-for-tat actions, such as Russia sending ships to the Caribbean after U.S. ships entered the Black Sea to deliver humanitarian aid to Georgia.

¶3. (C) Potanin responded forcefully that talk of shared interests and shared goals might mean something to the small part of the populace involved in those issues but it carried little weight with the vast majority of Russians. Relations were bad and were getting worse. Anti-Russian sentiment in the U.S. was rising; and anti-American sentiment in Russia was also rising. Potanin said Russians, in particular young Russians, simply did not understand America's U.S. policy and were turned off by America's anti-Russian rhetoric and its double standard on Kosovo and South Ossetia.

¶4. (C) Potanin said what was needed was a change in how we viewed each other and how we resolved disagreements. Friendship was the ability to talk frankly to one another as equals. The U.S. had missed an historic opportunity after September 11, when Putin had backed the U.S. in Central Asia and Afghanistan over domestic opposition, to cement ties. If

the U.S. wanted better relations now, it could not continue to talk to Russia as if it were a student taking an exam. At the same time, he conceded, Russia needed to cool its rhetoric. As an investor in the U.S., he had an interest in keeping relations from deteriorating further and, to that end, he had urged Putin to be less strident toward the U.S

¶5. (C) Potanin added that Russia had not been high enough on the U.S. agenda and its interests had not been taken into account on a host of issues. That needed to change. If the U.S. continued to push MAP for Ukraine and Georgia there would be more tension. Ukraine was integral to Russian history and while Georgia was not Ukraine, it was not Uzbekistan either. Russia had long and deep ties to Georgia well.

Putin Still in Charge

¶6. (C) The Ambassador said many Russian officials he had met seemed to want to revive a U.S.-Russia intergovernmental commission (IGC) as a way to improve bilateral ties -- something similar to Gore-Chernomyrdin. He asked Potanin for his views on how it could be structured. He also suggested that a personal relationship between the new U.S. President and Medvedev would be important to better relations.

¶7. (C) Potanin replied that bringing the two Presidents together was a good idea. He added that an IGC could be headed by Putin and the new Vice President. However, he cautioned that the new U.S. President should also have a separate relationship and agenda with Putin. Potanin said

bluntly that, diplomatic niceties aside, Putin was still the real power in Russia and the new President had to interact with him directly for relations to improve.

Threats to Economy

¶8. (C) The Ambassador said the financial crisis in the U.S. was a major shock to our economy. Russia was also in the midst of a financial crisis. The \$50 billion package announced by PM Putin earlier in the week was, as a percentage of GDP, comparable to the \$700 billion Paulson Plan. In that regard, he asked Potanin his views of GOR efforts to date.

¶9. (C) Potanin replied that the GOR had moved more quickly and more decisively than the American government. Although the U.S. had strong instruments with which to manage the crisis, it was still spreading, including to Russia and other countries and he urged action. Potanin added that Russia had another advantage in that fewer Russians than Americans were directly linked to the financial system. As a result, so far, the effects in Russia had not been widespread.

¶10. (C) However, Potanin said that while Russia had sufficient financial resources to avoid a 1998-style collapse, the situation would get worse. There was a trust problem in the financial system, which was causing a liquidity crunch. It was very difficult right now to refinance loans. He predicted this would lead to a shake out not only in the financial sector but also among the "oligarchs," some of whom, such as Basic Element's Oleg Deripaska, might lose that status in the coming correction. (Note: Potanin is locked in a battle with Deripaska over control of Norilsk Nickel. However, other financial contacts have also told us Deripaska is heavily leveraged and could be in trouble.)

¶11. (C) Potanin added that another threat from the crisis was that it could strengthen the hand of those who viewed Russia's seventeen years of market capitalism as an "experiment." These individuals were advocating for a return to state control of the economy. Potanin said that many

Russians still misunderstood and mistrusted that market economy. These people would, therefore, see a return to state control as natural and would support it.

Comment

¶12. (C) Potanin was frank and open with the Ambassador and was focused on the big picture rather than his business dealings, including his running feuds with fellow oligarchs Deripaska and Mikhail Prokhorov. In that regard, his comments on Putin, with whom he is said to have a close relationship, were clear and unambiguous) Putin is still the leader of Russia and in his view will remain so despite Medvedev's presence in the Kremlin.
RUBIN